

PACIFIC ACQUISITION HISTORY

Acquisitions have been a cornerstone of Pacific's growth strategy outside of its California service area and since 1996 it has completed six transactions.

(\$ in millions)

Date	Target	Location	Purchase Price	Comments
3/01	Cerulean Companies	GA	\$700	► Acquisition of Cerulean Companies, Inc. ("Cerulean"), parent of Blue Cross and Blue Shield of Georgia. The original merger agreement signed in July 1998 called for Pacific to acquire Cerulean for \$500 million in cash and stock paid to Cerulean shareholders. After an extended legal and regulatory approval process, Pacific was poised to close the transaction when, in November 2000, Trigon Healthcare Inc. submitted a competing counter-bid for \$675 million in cash. Pacific increased its original offer to \$700 million in cash, which caused Trigon to back down, and successfully close the transaction in March 2001.
12/00	PrecisionRx	TX	ND	► Acquisition of PrecisionRx, RxAmerica's mail order pharmacy fulfillment facility located in Fort Worth, Texas, which filled approximately 1.6 million prescriptions annually at the time of the acquisition. PrecisionRx was acquired to provide mail order pharmacy services for Pacific's rapidly growing Pacific Pharmacy Management, which served approximately 28 million lives and was the fourth largest pharmacy management company ("PBM") and the largest health plan owned PBM in the United States at the time of the acquisition.
3/00	Rush Prudential Health Plans	IL	\$204	► Acquisition of 300,000 member health plan jointly owned by Rush-Presbyterian-St. Luke's Medical Center, one of Chicago's leading medical facilities, and the Prudential Insurance Company of America. The Rush Prudential Health Plan, which offered a wide array of products and services ranging from HMO products to traditional PPO products, was folded into Pacific's existing UNICARE operation and more than doubled Pacific's Illinois membership to nearly 537,000 members.
5/99	Omni Healthcare	CA	ND	► Agreement to transition 124,000 members from Omni Healthcare, a troubled provider-owned health plan headquartered in Sacramento, California, into Blue Cross of California's HMO over a six month period. Omni Healthcare operated in 25 northern California counties, including a strong presence in Sacramento and San Joaquin counties, and included approximately 65,000 commercial members and approximately 59,000 members in California's Medi-Cal program for low-income residents. The transaction price was undisclosed but depended, in part, on the number of Omni Healthcare's commercial members that transitioned to Blue Cross of California's products.

PACIFIC ACQUISITION HISTORY (CONT'D)

(\$ in millions)

Date	Target	Location	Purchase Price	Comments
Terminated	Qualmed Plans for Health of Colorado	CO	ND	► Pacific proposed to buy QualMed Plans for Health of Colorado, a unit of Foundation Health Systems ("FHS"), which had approximately 102,000 members and was the seventh largest health insurer in Colorado. The sale was part of FHS's ongoing program to divest itself of unprofitable health plans. Pacific announced the transaction during the same week that Anthem, Inc. announced its intention to acquire Blue Cross & Blue Shield of Colorado and Nevada ("BCBSCN"). Pacific then attempted to outbid Anthem for BCBSCN thereby positioning itself as the largest provider of health insurance in Colorado. Pacific subsequently allowed its letter of intent to expire in September 1999 after its attempt to acquire BCBSCN was unsuccessful.
Terminated	Blue Cross Blue Shield of Colorado and Nevada	CO	\$266	► In March 1999, Pacific announced bid to acquire Blue Cross Blue Shield of Colorado and Nevada for \$266 million. Previously, BCBSCN, which had approximately 420,000 members in Colorado and 60,000 numbers in Nevada, had agreed to be acquired by Anthem, Inc. for \$155 million. Pacific's offer was eventually unsuccessful and Anthem completed its acquisition of BCBSCN in November 1999.
3/97	John Hancock Group Benefit Operations and Cost Care Inc.		\$90	► Acquisition of group health and related life business, known as Group Benefit Operations ("GPO") and Cost Care Inc. ("CCI"), of John Hancock Mutual Life Insurance Company. The acquisition contributed approximately 1.3 million medical members to Pacific, as well as nearly 1 million members covered through group life insurance products linked to health coverage, 1.5 million dental members and medical management and utilization services sold to over 650 clients through CCI.
3/96	Mass Mutual Life and Health Benefits Management Division		\$402	► Acquisition of the Life and Health Benefits Management Division of Massachusetts Mutual Life Insurance Co. that provided medical services to 1.2 million medical members and operates under the UNICARE brand name.

RESEARCH ANALYST VIEWS

	CREDIT SUISSE FIRST BOSTON	MERRILL LYNCH	UBS WARBURG
Analyst	Joseph France	Roberta W. Goodman	William McKeever
Report Date	March 16, 2001	February 15, 2001	February 16, 2001
Price	\$94.53	\$104.90	\$101.65
2001 EPS, P/E	\$6.05, 15.6x	\$6.05, 17.3x	\$6.05, 16.8x
2002 EPS, P/E	\$6.95, 13.6x	\$7.00, 15.0x	\$6.95, 14.6x
12-month Price Target	\$130.00	\$135.00	\$127.50
Comments	<ul style="list-style-type: none"> ► "Pacific is among the strongest positioned of the managed care companies, by virtue of its strong underwriting record, its Blue franchise, its emphasis on open access health plans and its limited exposure to Medicare." ► "Pacific's underwriting excellence is... the result of its indemnity roots and its large staff of actuaries... skills which will be critical over the coming year, as employers request lower premiums, and benefit buydowns increase." ► "Pacific has the rare ability to construct hybrid health plans... and this flexibility is one of its greatest competitive advantages... and one of the drivers of Pacific's robust same store membership growth." 	<ul style="list-style-type: none"> ► "Pacific's rock-solid fourth quarter earnings results highlights its operating strengths, including product innovation and positioning, underwriting and pricing and capital discipline" ► "With clear momentum entering 2001... Pacific should continue to produce strong, predictable, high-quality earnings growth." ► "Pacific has a strong capital base, and has built strong infrastructure in critical areas... manifesting itself in the Company's steady earnings performance." 	<ul style="list-style-type: none"> ► "With the Cerulean acquisition expected to close in the first quarter and new products being marketed through strong distribution channels... Pacific is poised for solid growth in 2002." ► "Due to its breadth of products... with similar margins on both the higher- and lower- end offerings... Pacific is well positioned if the potential slowdown in the economy should continue." ► "Pacific's ability to increase its cash and reserve position while buying back stock reflects Pacific's strong capacity to generate cash flow, and is one of the reasons why the stock should trade at a premium to the group multiple."
Rating	Buy	Buy	Strong Buy

DRAFT VALUATION ANALYSIS